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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Billed Party Preference	)	CC Docket No. 92-77
for 0+ InterLATA Calls	)	
	)	

REPLY OF GTE

GTE Service Corporation and its
affiliated domestic telephone operating
companies

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THEIR ATTORNEY

September 14, 1994

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SUMMARY

GTE has supported Billed Party Preference contingent on the adoption of a sensible and cost-effective implementation policy that provides a reasonable balance between customer convenience and carrier cost and administrative burdens. To achieve these goals, GTE recommends that:

- BPP implementation should be based on the service description filed jointly by GTE, Southwestern Bell, MCI and Pacific Bell in their ex-parte presentation on December 23, 1993 (*Service Description*), proposing that BPP apply to all interLATA 0+ and 0- traffic and exclude the unnecessary use of 14-digit screening.
- The Commission must adopt an effective cost recovery mechanism. The fact that BPP benefits accrue to all OSPs dictates that the Commission adopt a broad-based and competitively neutral cost recovery mechanism.
- The Commission's cost/benefit analysis be updated to reflect more current data from all industry participants. Cost estimates must accurately portray the expected requirements for BPP deployment so a determination can be made as to whether BPP continues to be in the public interest. Cost estimates should reflect the additional costs

associated with 14-digit screening and the exclusion of inmate phones from BPP if the Commission decides to include these proposals.

- The Commission should allow for a minimum of 3 years after mandating BPP for its full implementation.

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REPLY OF GTE

GTE Service Corporation, on behalf of its affiliated domestic telephone companies ("GTE"), hereby submits its Reply to Comments submitted on August 1, 1994 in response to the Commission's *Further Notice of Proposed Rulemaking* in the above-captioned proceeding, FCC 94-117, released June 6, 1994 ("*Further Notice*" or "*FNPRM*").

I. INTRODUCTION

In the *FNPRM*, the Commission reached the tentative conclusion that the benefits to be gained from Billed Party Preference ("BPP") far exceed its costs. In its Comments filed on August 1, 1994, GTE agreed with this general conclusion.[1] However, GTE's support of BPP is contingent on the adoption of a

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[1] Billed Party Preference ("BPP") will provide for the routing of interexchange calls dialed on a 0+ or 0- basis (*i.e.*, calling card, collect, and third-party calls) to the operator service provider ("OSP") preselected by the party being billed for the call. Callers would be able to ensure that all of their operator-assisted calls would be handled, and billed by, the OSP with which they wish to do business. BPP would eliminate the need to use carrier access (10XXX) codes and would enable subscribers to avoid the high rates of some OSPs.

sensible and cost-effective implementation that provides a reasonable balance between customer convenience and carrier cost and administrative burdens.

II. PROPOSED ALTERNATIVES TO BILLED PARTY PREFERENCE GENERALLY DO NOT PROVIDE FOR END USER CHOICE OF LONG DISTANCE CARRIERS

Comments filed in response to the *FNPRM* generally fall along predictable lines – certain Operator Service Providers ("OSPs"), payphone providers and aggregators opposed to BPP essentially seek to preserve their near-monopoly status on 0+ dialed traffic and associated commissions and discounts (*see*, e.g., Cleartel/Call America at 5, National Tele-Save, Inc. at 5, Communications Management Systems at 1-2). While discounts and commissions paid to aggregators and premise owners may have benefited these parties by providing additional revenue resource streams, they have been funded by consumers in the form of higher long distance rates on 0+ and 0- dialed calls (*FNPRM* at ¶13).

Commenters offer various alternatives to BPP such as the regulation/capping of OSP rates, customer education programs on access code dialing and the expansion of compensation arrangements to all payphone providers (*see, e.g.*, Bell Atlantic at 15-16, American Network Exchange at 2). While these proposals have some merit, they simply do not address the central focus of the Commission's BPP objective: end user choice.

Growth in access code dialing over the past few years is evident,[2] however, this trend does not show that end users have entirely accepted access code use and is not a reason, in and of itself, to find that BPP is no longer necessary. A substantial number of consumers continue to be billed for 0+ dialed calls from carriers who they have not selected. Although the capping of rates may serve to reduce consumer OSP complaints, it does not achieve consumer choice. GTE believes that consumers would rather be able to choose the carrier that bills them for the service, irrespective of whether the carrier's rates are somewhat higher or lower than the dominant OSP.

In summary, the alternatives to BPP cited by many parties do not ensure that the billed party will be billed by the carrier of its choice. However, should the Commission find that the costs of BPP do not warrant its implementation, it should proceed with a further review towards enactment of many of the alternatives cited.

III. THE RECORD IN THIS PROCEEDING UNDERSCORES THE NEED TO UPDATE THE COMMISSION'S COST/BENEFIT ANALYSIS

One clear conclusion may be drawn from the comments filed -- the Commission must update its earlier cost/benefit analysis with more current and thorough data to properly determine whether BPP continues to be in the public interest. While GTE continues to support BPP as beneficial to the American

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[2] *See* Comments of AT&T at 8 (awareness of access code dialing among subscribers is well above 50%).

consumer, it does so only on the condition that BPP be deployed in an efficient, cost-effective manner so as to insure complete cost recovery.

Most LECs, including GTE, have updated earlier cost estimates. In GTE's case, these revisions have, for the most part, been driven by substantial changes in GTE's network configurations and capabilities, as well as changes in unit costs over the past few years. An industry-level cost/benefit analysis should include these cost updates, as well as costs of other LECs, most notably the independent LECs (*i.e.*, SNET, USTA, Rochester) that were not included in the original analysis.

How BPP is to be implemented is crucial to the final determination of industry costs. GTE anticipates that it will incur $62.8 million in initial costs and $52.3 million in recurring costs to implement BPP in accordance with the *Service Description*. If 14-digit screening is required and inmate phones are excluded, as the Commission is considering in the *FNPRM*, the estimated start-up costs would increase to $85.4 million. In addition, if OSS7 deployment is required in all end offices GTE's total company-wide-cost could reach as high as $183 million.[3]

Many commenters challenge various aspects of the Commission's consumer benefit analysis. While GTE cannot comment on the validity of data

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[3] As GTE demonstrated in its Comments, OSS7 signaling is not required in all end offices in order to implement BPP. However, where LECs have deployed OSS7 for the purposes of BPP, its costs should properly be recovered through any BPP rate element.

submitted in these comments, GTE does believe that requests to revise the consumer benefits estimate in the *FNPRM* have merit. For example, AT&T (at 5) challenges the Commission's assumed growth rate in operator-handled calls, which would affect estimates of commission payments and the benefits from avoiding the highest-priced OSP in the consumer savings analysis. The Commission's original analysis was based on data collected during the 1984-1992 period, therefore more accurate up-to-date information is needed.

IV. IF MANDATED, BPP SHOULD BE DEPLOYED AS DESCRIBED IN THE SERVICE DESCRIPTION FILED IN GTE'S EX PARTE OF DECEMBER 23, 1993

As suggested above, the manner in which BPP is implemented is critical in determining whether BPP is in the public interest. GTE believes the most cost-effective implementation policy is that set forth in the *Service Description.* Such implementation would apply BPP to all interLATA 0+ and 0- traffic without requiring 14-digit screening or excluding inmate phones. GTE provides the following response to comments submitted concerning BPP implementation:

A. The requirement for 14-digit screening is costly and unnecessary.

Sprint (at 49-51), AT&T (at 29) and LDDS Communications, Inc. (at 12-13) endorse the Commission's conclusion that both local exchange carriers and interexchange carriers should be allowed to issue a line-numbered calling card (the 10-digit billing telephone number plus a 4 digit personal identification number ("PIN" or "BTN+4"), thus requiring the LECs to implement 14-digit

screening in their Line Information Data Bases ("LIDBs"). GTE is opposed to the implementation of BPP based on a 14-digit screening arrangement.

1. 14-digit screening adds significant financial and operational complexities to BPP.

As GTE demonstrated in its Comments (at 18-22), requiring the LECs to perform 14-digit screening of all calling cards, adds significant financial and operational complexities to BPP. While the *FNPRM* tentatively concludes that no carrier should have ultimate control over line number-based cards, this does not suggest that LECs should be required to be the IXC industry's primary caretaker for calling card data. Nor does it establish what obligations and underlying service functions would be entailed. The Commission cannot reach such a conclusion without first performing a thorough cost/benefit analysis to review the extensive operational, administrative and regulatory issues resulting from 14-digit screening.

Sprint's Comments illustrate the significant administrative and operational burdens which would be imposed on the LECs under the Commission's proposal to mandate 14-digit screening. Sprint (at 50) demands that LECs be ordered by the Commission to accommodate *all* IXC desired features in the LEC LIDBs.[4]

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[4] The additional administrative and operational tasks to control the use of proprietary features in the LIDB on a per carrier basis would be a technical and administrative nightmare. These additional tasks would include LIDB software standardization, accommodation of varying threshold standards, varying degrees of autonomy over account administration, responsibility for daily administration of customer accounts for fraud control, ongoing changes to thresholds, credit status

While meeting the demand of one IXC may not sound unreasonable, satisfying the collective demands of potentially a hundred IXCs for different features clearly will not work. Moreover, Sprint proposes that it should not be required to bear the cost of any ongoing LEC activities relative to the administration of 14-digit screening other than the very limited costs of loading and storing IXC-issued PINs in the data base. In effect, this would require other ratepayers, most notably local subscribers, to foot the cost of supporting Sprint's calling card business.[5] These types of unreasonable demands were anticipated by GTE in its *ex parte* filing of February 9, 1994 and exemplify the many areas of potential dispute between LECs and IXCs should 14-digit screening be mandated.[6]

Likewise, Sprint (at 51) and MFS's (at 9) suggestion that LECs must relinquish all ownership of their LIDBs if LECs refuse to accommodate these demands is outrageous. The Commission cannot arbitrarily order LEC property to be seized and transferred to another party. There is no compelling public

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adjustments, query activity reporting by PIN, and status reports of each IXC's account activity. In addition, 14 digit screening would needlessly expand the LEC's financial responsibility for fraud billed to LIDB managed card accounts.

[5] Assuming the Commission would expect the LECs to tariff various services related to the administration of IXC calling card data in LEC LIDBs, there would inevitably be a number of pricing and tariff issues that would need to be addressed before 14-digit screening could be deployed.

[6] A copy of GTE's *ex parte* filing is provided as Attachment A to these Reply Comments.

policy need to mandate industry wide development and implementation of 14-digit screening.[7]

Today, many IXCs issue proprietary BTN+4 cards in which the IXC assigns the PIN and maintains the data base for these cards which are not accepted by other entities. BPP implementation need not prevent IXCs from continuing to issue and accept their proprietary BTN+4 cards as they do today. Most of this IXC calling card traffic originates via "1+800" and "10XXX" access, which could continue unchanged. In addition, under a BPP environment, consumers subscribed to a certain IXC can dial 0+ and use their LEC BTN+4 card to have their interLATA call automatically routed to the IXC's network. In no way does this disadvantage the IXC's selection as the carrier or reduce its toll revenues.

Sprint (at 52) offers no factual evidence to support its claim that subscribers desire to have multiple calling cards from various long distance carriers, all bearing the same account number with different PINs. Some may do so today (out of necessity), but more likely customers would prefer a single card for all their calling needs. The card format itself is not a significant factor in the customer's selection of carrier. Price and service quality are more influential.

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[7] Not only would it be difficult for LECs to accommodate the plethora of IXCs demands, neither would a neutral third-party be able to do so. GTE believes the transfer of LIDB responsibilities from the LECs to a third-party provider appointed by regulatory fiat would result in a "post office" effect, with validation responses arriving "parcel post".

Sprint (at 49-50) claims that 14-digit screening would alleviate many fraud problems, such as "shoulder surfing." However, BTN+4 cards would not prevent "shoulder surfing" entirely since criminals often cannot see the cards but instead watch the numbers entered on the telephone keypads or overhear numbers given verbally to operators.

Sprint's altruistic arguments (at 52) that 14-digit screening will aid new entrants and smaller carriers (its competitors) by enabling customers to easily try their services are not convincing. New (or smaller) IXC entrants could as easily offer customers a trial period of their services by paying the customer's cost to change their presubscription in the LIDB (and to change back if not satisfied). Furthermore, this option would allow a customer to sample another carrier's services without having to change his PIN number or to carry an additional IXC calling card. Also, the IXC would incur no costs for new card issuance nor administrative charges to add (and possibly later to delete) the PIN from the LIDB. Still another alternative for a trial service would be to give the customer a proprietary BTN+4 card and have the customer use a 1+800 or 10XXX access during the trial. If the customer likes the service then the IXC could issue a request to the appropriate LEC for a LIDB update of the 0+ carrier.

In the event that the Commission does not require 14-digit screening, Sprint (at 55) suggests that IXCs be allowed to submit a BTN + PIN card number to LECs which would automatically invalidate an existing LEC calling card account for that subscriber. Such demands are unwarranted. There is no

justification for arbitrarily extending a competitive advantage to IXC calling cards. IXCs and LECs are free to negotiate equitable mutual card honoring agreements as well as joint calling card arrangements. However, these business agreements must be truly voluntary. Commission mandated joint calling acrd arrangments will generate the same administrative and financial complexities as 14-digit screening.

2. 14-digit screening would add significantly to the cost of implementing BPP.

Sprint (at 53-54) claims that the added costs of 14-digit screening are relatively low despite the fact that LECs comments in this proceeding show exactly the opposite (*see, e.g.*, Pacific Bell at 5 and SWBT at 8-10). In addition, since it is not clear what administrative services will be required of LECs if 14-digit screening is mandated, the cost estimates submitted by many LECs may be understated. For example, if LECs are required to provide IXCs with their own direct update capabilities, then the costs to interface and manage update activities could be far greater than current estimates. Additionally, varying degrees of IXC control of and access to LIDB enhancements, fraud management systems, variable thresholds, multiple PIN levels, etc. will significantly impact any final cost estimate.

Without the type of honoring agreements that would typically be used under a 10-digit/891/CIID scenario, billing, collection and liabilities would be undefined under the 14-digit screening arrangement as proposed by the

Commission. Resources would be required to develop these agreements or to provide sophisticated enhancements to the LECs validation systems. There may also be an on-going need for the Commission to resolve inter-company conflicts which will inevitably arise from the requirement that multiple entities share a single validation data base.

GTE contends that LECs and IXCs should continue to maintain separate and distinct data bases. The Commission should encourage voluntary industry mutual card honoring agreements to the direct benefit of subscribers and encourage IXCs to migrate to a 891 or CIID format, as AT&T has done.

In summary, a decision to require implementation of 14-digit screening must be based on a sound cost/benefit analysis and benefits must accrue directly to consumers. GTE believes that parties supporting 14-digit screening have not demonstrated that the consumer benefits exceed the costs. Many LECs, including GTE, have demonstrated that 14-digit screening would substantially increase the cost of BPP without significant consumer benefit. Therefore, there is no compelling need to mandate industry-wide development and implementation of 14-digit screening.

B. No exclusions to BPP are warranted, but if allowed, additional costs of such exclusions must be included in the cost/benefit analysis.

The full benefits of BPP cannot be realized unless subscribers are assured that all 0+ dialed calls will be routed by the carrier of their choice. As inmate family concerns point out, (*see, e.g.*, Citizens United for Rehabilitation of

Errants at 1-2), there is no reason that they should be excluded from the benefits of BPP. Prison and correctional facilities can adequately prevent and control fraud by inmates using currently available customer premise equipment technology.

GTE estimates that it would incur $17.5 million in additional investments if it were required to exclude inmate phones from BPP. Nonetheless, if the Commission ultimately finds that inmate phones are to be excluded, the Commission should affirm that the LECs will be allowed to recover all inmate exclusion costs in the BPP rate.

C. Adequate cost recovery must be ensured.

As most LECs have observed, recovery of BPP costs through a broad-based rate element on all OSPs is essential if full cost recovery is to be achieved. AT&T (at 8) urges the Commission to stick to the "cost-causer pays" principle and apply a per call BPP rate to only 0+ and 0- calls. This principle is valid only if there is true "demand" for a service and a "market" exists for it. In this case, the Commission has proposed BPP not as a direct result of "demand" for a specific "service", but rather from the desire to obtain a broader policy goal – the consumer choice of long distance carriers.

A per call rate applied only to 0+ and 0- calls would be susceptible to dial-around and bypass of the payment of the charge. The Commission, therefore, should consider more appropriate mechanisms to ensure complete cost

recovery, such as a charge applied on "bulk-billed" or OSP market share approach (*see, e.g.,* Bell Atlantic at 18-19, NYNEX at 15). Alternatively, a per call charge could be assessed not only to 0+ and 0- traffic but other access code traffic as well (*i.e.,* 950, 10XXX, and 800) (*see, e.g.,* Ameritech at 8-9, Bell South at 19-21, and NYNEX at 14).

LECs must be allowed to recover all BPP-related costs. Comments by MCI (at 5) that BPP costs should be offset by equal access costs supposedly embedded in access rates are unsupported. Costs to implement BPP are separate and distinct from any costs incurred to convert end offices to equal access. All BPP costs should properly be included in the BPP rate element.

Finally, it is essential that the Commission address cost recovery issues *now.* The suggestion by Sprint (at 42-43) that such issues can be addressed later or in subsequent proceedings underestimate one of the most important issues. The Commission must address these cost issues in this phase of the proceeding.

D. Carrier selection should be made via LEC bill insert.

Even though OSPs generally argue that the costs of BPP will be excessive, they do not hesitate to propose full ballot and allocation processes akin to equal access conversion-type balloting (*see, e.g.,* American Network Exchange at 18-19, Cleartel/Call America at 15, CompTel at 47-48). Full balloting would substantially increase the costs of nation-wide BPP

implementation. GTE believes that there is no need to go through the complex and administratively burdensome process of full balloting and allocation procedures. GTE expects that it would cost $1.6 million to notify GTE subscribers of their right to select an 0+ carrier through the use of a bill insert. In contrast, a full ballot and allocation process would cost approximately $13 million. This significant additional expenditure cannot be justified, particularly since it is unlikely that end users will select a separate carrier for 0+ calling and 1+ calling.

Concerns by OSPs that adequate and accurate information will not be provided to them are unfounded (*see, e.g.*, American Network Exchange at 19-20). All LECs have systems and procedures in place which are designed to effectively provide notification to any OSP concerning presubscribed end users. No commenter has demonstrated that these procedures, developed based on industry developed standards, are not sufficient to implement BPP.

E. The primary carrier should select the secondary carrier.

The *FNPRM* proposes that the primary carrier would select the secondary carrier if the primary carrier is unable to originate 0+ or 0- calls from all areas in the country. AT&T suggests (at 30-31), however, that if a carrier does not provide nationwide, ubiquitous service, the secondary carrier should be selected by the end user. This solution is completely unworkable. First, LECs would have to establish new and separate procedures to record and maintain each end

user's secondary carrier selection at considerable expense. Second, there is no guarantee that end users will be sufficiently informed as to the calling capabilities of secondary carriers, which could inevitably result in wrong carrier selections and end user difficulty in placing 0+ calls. It is essential that there be a fundamental business relationship between the primary and secondary carrier in order for BPP to work as it is designed. It is not clear how such business relationships, which must encompass agreements concerning branding of calls, rating of calls, subscriber billing, etc., can be established if end users are free to select, and routinely change, secondary 0+ carriers. Thus, the Commission should order primary carriers to select secondary carriers for BPP.

F. End user choice of international carriers must not be compromised by BPP.

Certain commenters propose to allow the primary carrier to select the international default carrier (*see, e.g.,* SWBT at 8, BellSouth at 21-22). Sprint (at 49) claims that LEC LIDBs cannot accommodate separate PICs for international carriers, in addition to the normal domestic PICs for 1+ and 0+. Contrary to Sprint's assertions, LEC LIDBs can be enhanced for BPP to provide storage for a separate selection of international carrier.

BPP must not be allowed to override an end user's choice of international carriers. In areas where end users are allowed to select a separate carrier for international calling, such as in Hawaii, the end user should be allowed to

designate that all international traffic, dialed on both a 01+ and 011+ basis, be routed to the end user's selected international carrier. Such a procedure assures the central objectives of BPP, the of end user choice.

G. The Commission should encourage the same BPP policies for both interstate and intrastate interLATA calling arrangements.

If implemented, BPP should apply to all interLATA calls. Since it is also important that state implementation mirror the interstate model, the Commission should establish parameters for BPP implementation and strongly encourage states to adopt similar BPP policies for intrastate, interLATA calls.[8] Without a consistent and uniform deployment of BPP across all state and interLATA jurisdictions, LECs would incur significant additional costs. If states adopt BPP policies that are inconsistent with interstate requirements, federal preemption of such policies may be necessary.

AT&T (at 25), however, urges the Commission to preempt any applicable state regulation and require implementation of BPP for all intraLATA calls. AT&T's suggestions are, at best, premature. There is still a great deal of industry analysis and state regulatory oversight which must be accomplished before BPP can be implemented properly. Uniform call processing and default carrier selection issues unique to the intraLATA jurisdiction must first be

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[8] Most state regulatory authorities filing comments in this proceeding generally support BPP (see Comments of Idaho Public Utilities Commission, Missouri Public Service Commission and the National Association of Regulatory Utility Commissioners).

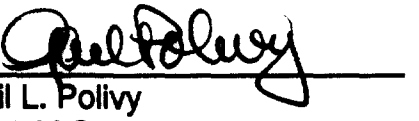
resolved. While the decision to implement BPP for the intraLATA jurisdiction should be made initially by the appropriate state regulatory authority, the FCC should encourage the states to adopt policies consistent with the federal BPP policy.

V. CONCLUSION

The comments submitted in response to the *FNPRM* demonstrate the importance of updating the Commission's cost/benefit analysis to determine whether BPP continues to be in the public interest. Most importantly, the Commission must craft a BPP policy that incorporates sensible and cost-effective implementation requirements that provide a reasonable balance between customer convenience and carrier cost and administrative burdens.

Respectfully submitted,

GTE Service Corporation and its affiliated domestic telephone operating companies

By 

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ATTACHMENT A

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February 9, 1994

Mr. William F. Caton
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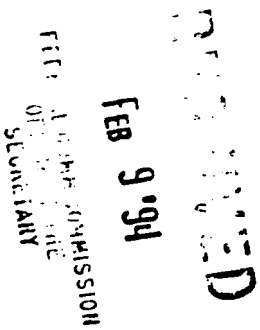

Ex parte - CC Docket No. 92-77 (Phase II), Billed Party Preference

Dear Mr. Caton:

GTE Telephone Operations ("GTE") would like to address the Billed Party Preference ("BPP") issue of 14-digit screening and the suggested alternative of issuing "mandated joint cards." Fourteen-digit screening was the subject of recent *ex parte* filings by Ameritech (September 3, 1993) and Southwestern Bell (December 8, 1993). Sprint, in an *ex parte* (October 5, 1993), discussed both 14-digit screening and mandated joint cards. GTE will neither repeat the concept or definition of 14-digit screening nor Ameritech's and Southwestern Bell's arguments against it. Instead, GTE would like to expand on the drawbacks of 14-digit screening and Sprint's suggested alternative of mandated joint cards.

GTE supported BPP in its initial comments as BPP makes operator services more user friendly and ensures billed parties that their carrier of choice will handle their calls, but GTE opposed 14-digit screening. GTE has not changed its position on either BPP or 14-digit screening. In this letter, GTE explains its opposition to 14-digit screening and mandated joint cards and its decision to withdraw support for BPP if either 14-digit screening or mandated joint cards are incorporated as a BPP requirement.

GTE agrees with Ameritech's and Southwestern Bell's arguments against 14-digit screening; *e.g.*, it adds significant and unnecessary costs to BPP implementation, it places an unjustifiable administrative burden on Local Exchange Carriers ("LECs"), it increases fraud potential, and it creates a number of technical issues. GTE also opposes 14-digit screening because it requires the sharing of calling card data bases.

In its *ex parte*, Sprint stated that there appears to be only two possible technical alternatives that allow Interexchange Carriers ("IXCs") to retain Telephone Line-Numbered ("TLN") cards in a BPP environment; *i.e.*, 14-digit screening or a single TLN card issued by either the LEC or the IXC. Sprint prefers the 14-digit screening option. Sprint also stated that with mandated joint cards, a LEC's sole responsibility would be maintenance of the joint card's PIN in the LIDB. GTE believes that Sprint has over simplified the issues. Either 14-digit screening or a mandated joint card will require interaction between a dozen LIDB operators and hundreds of IXCs regarding many issues; *e.g.*, PIN provisioning, account administration, alternative carrier assignments, fraud thresholds, fraud monitoring, fraud liability, credit status, joint card production, joint card format, customer billing, administrative fees, service enhancements, service limitations, and subaccount billing.

Even if the LECs manage these issues to the best of their ability, 14-digit screening and mandated joint cards will create conflicts of interest between LECs and IXCs in the following areas:

- **Competition:** Competition between LECs and IXCs exists today and will expand in the future. As it expands, distrust between competing parties sharing a calling card data base is inevitable. LECs will be accused of manipulating LIDB information or of refusing to develop and/or implement IXC requested enhancements as a means of maintaining a competitive advantage. If a LEC develops a LIDB enhancement that improves its competitive situation and does not offer it to the IXCs using its LIDB, the LEC will be accused of "restraint of trade," being a bottleneck, or taking advantage of its LIDB ownership. Conversely, if an IXC develops an enhancement that is incorporated into a LEC's LIDB, the IXC likely will want to deny its use to the LEC or other IXCs. Controlling the use of proprietary features in the LIDB on a per carrier basis would be a technical and administrative nightmare.

- **Standardization:** LIDB software applications will require some feature standardization. IXC special requests can be accommodated but will have associated incremental costs of development and administration. "Thresholding" is one example. This is a capability where a certain level of card validations within a given time frame triggers administrative action by the LIDB operator; and, at higher levels of activity, results in automatic "shutdown" of the card. Today, LIDB operators establish LIDB thresholds while IXCs establish thresholds in their calling card data bases. These thresholds vary. Introducing an IXC's PINs into a LEC's LIDB will bring with it the IXC's desire to retain its thresholds. Decisions will be required to determine if: LIDBs must support different threshold levels by PIN number; LEC thresholding criteria or a common IXC criteria will be used; card activity will be aggregated by TLN account or by individual PIN; one PIN triggers a "shutdown" mode will all TLN PINs be likewise restricted. Other issues similar to those listed will be encountered if data base sharing is mandated.

- **Account Management:** Today, LIDB operators generally provide total administration of all LIDB accounts. IXCs with calling card offerings operate and administer their own calling card data bases and validation networks. However, if IXC PINs or mandated joint cards are introduced into LEC LIDBs, the IXCs will want varying degrees of autonomy over account administration such as initial account provisioning; *e.g.*, IXCs may not be satisfied with the LEC's speed of provisioning new account data. Other items that IXCs may want include: direct access to LEC LIDBs for daily administration of customer accounts to control fraud, change thresholds, and adjust credit status; real time data on query activity of PINs for purposes of fraud management; and individual hourly, daily, or monthly status reports of activity on accounts.

  While these may be reasonable requests, the development of interfaces and managing the physical interconnection of hundreds of IXCs with a dozen LIDBs is extremely complex. In addition to developing the interfaces, the LECs must

continue to ensure the reliability and integrity of the LIDB data, provide security against illegal tampering, and avoid conflicts with update activities between parties.

- **Customer Billing:** Neither 14-digit screening nor a mandated joint card arrangement communicates the card issuer's identity for billing purposes; *i.e.*, for LEC or IXC calling cards the LIDB only has information on which IXC is to carry interLATA/international calls. And, the current billing record only captures the card account number not the PIN or the Carrier Identification Code ("CIC"). If the card issuer is also the billing entity, additional call record information would be required. Call records would be required to capture the account number and the card issuer's identity. This is not being done today unless the card issuer's identity is embedded in the card number; *i.e.*, Card Issuer Identification ("CIID") and 891 cards. With TLN cards (in a 14-digit screening or joint card situation), there is no card issuer identifier inherent in the card number. An additional call record field would be required if billing systems were required to recognize and separate call records according to the card issuer's identity. To populate the extra field on the call record, the LIDB would have to provide a card issuer's code at the time of validation. This would require additional fields in LIDB to store these codes and more administration to maintain them. Existing CICs are not a solution for identifying the card issuer since even a LEC issued card will have an associated 0+CIC which is not the card issuer. Also, LECs typically are not assigned a CIC code, yet one would be needed for this process. Billing for either 14-digit screening or a mandated joint card option would require significant planning and development plus the resolution of major problems.

- **Fraud Liability:** With either 14-digit screening or mandated joint cards, there will be increased IXC demand for LECs to assume more (or all) financial responsibility for fraud. The LEC, as the LIDB owner, would be performing all fraud management for IXC PINs or joint cards. Currently, the LECs are being pressured to assume more responsibility for fraud on IXC calls billed to LEC cards. However, today many of the IXCs' interLATA/international calls are billed to proprietary IXC cards. With BPP and either 14-digit screening or mandated joint cards, significantly more calls will be billed to IXC TLN card PINs or joint cards. It would be unfair to require LECs to manage IXC card data bases and then to burden the LECs with additional financial responsibility for fraud billed to LIDB-managed card accounts. On the other hand, the IXCs will have little or no control over the fraud management on their accounts and will not be willing to accept financial responsibility without control.

The issues discussed above are examples of potential IXC/LEC conflicts should either 14-digit screening or mandated joint cards be required for BPP. As a solution, GTE proposes that the *status quo* be maintained; LECs and IXCs continue to maintain separate and distinct calling card data bases. This preserves each party's right to manage and develop its card functionality and services as it sees fit. Maintaining separate data bases does not prohibit mutual card honoring agreements. GTE supports mutual card honoring agreements (for the benefit of the public) on a voluntary and contractual basis between entities that wish to accept each other's cards.

GTE also believes that it is a company's right to limit the use of its card and not allow others to accept its card if they believe it is not in their company's interest to do so.

Maintaining the *status quo* will result in some consumers' cards not being accepted (as is the case today) where mutual honoring does not exist. However, most consumers know the limitations of their cards. In a BPP environment, without 14-digit screening or mandated joint use cards, IXCs with TLN accounts will have to give up those card formats or limit their usage to access code arrangements. This may be difficult for some IXCs to accept, but they should consider this loss in view of the larger benefits provided by BPP. Perhaps these IXCs' TLN cardholders would be willing to trade TLN cards for 891 or CIID cards if they are made aware of the benefits of BPP (not having to dial an access code and the assurance that they will always get their carrier of choice). These IXCs also should remember that AT&T has given up TLN card formats and done quite well with CIID and 891 cards. Customers do not select a carrier based primarily upon its calling card format. Easy access, afforded by BPP, has much more appeal. Ultimately, the entire industry will need to migrate to the 891 format, so BPP could be viewed as an early driver for IXCs with TLN card formats. With the 891 format, the customer account number can be a TLN.

Both 891 and CIID formats currently can be supported on the LECs' networks for BPP with some minor administrative provisioning. IXCs using either of these formats can maintain their own calling card data bases and administer them as they choose. They can control who accepts their card and can provide whatever fraud controls or value-added features they see fit. They are not dependent upon others for this aspect of their business. These advantages should not be overlooked and quickly traded for the subjective benefits of a TLN card format.

GTE is not opposed to cooperative efforts between LECs and IXCs who choose to provide joint cards. But GTE opposes mandated joint card arrangements and 14-digit screening. GTE believes that the issues associated with either 14-digit screening or mandated joint cards cannot be addressed in a manner that would satisfy any of the parties. Therefore, GTE strongly urges the Commission to refrain from making either 14-digit screening or joint cards a requirement of BPP.

Two copies of this Notice are hereby filed with the Secretary of the Commission in accordance with Section 1.1206(a)(1) of the Rules. Please include this letter in the record of this proceeding.

I may be reached at (202) 463-5291 if further information is needed.

Sincerely,

F. Gordon Maxson
Director - Regulatory Affairs